

THE REDEVELOPMENT COMMISSION OF THE CITY OF BLOOMINGTON, INDIANA met in on Monday, June 3, 2013 at 5:00 p.m. in the Showers City Hall, McCloskey Room, 401 North Morton Street, with President David Walter presiding

I. ROLL CALL

Commissioners Present: Elizabeth Kehoe, John West, Michael Gentile, Michael Szakaly and Kelly Smith

Commissioner(s) Absent: David Walter

Staff Present: Lisa Abbott, Doris Sims and Janet Roberts

Other(s) Present: Susan Failey, Assistant City Attorney; Danise Alano-Martin, Economic Development Director; Jason Carnes, City ESD; Justin Wykoff, Engineering Department; Gordon Hendry, CBRE; Randy Cassady, Cassady Electric; Scott Robinson, COB Planning Dept.; Dave Williams, City Parks; Tom Micuda, Planning Dept., Miah Michaelson, AED; Don Frances, Attorney; Gene Moncel, Citizen; Mick Renneisen, City Parks; Rick Dietz, City ITS; Darryl Nether, Bloomington City Council; Steve Bryant, IVY Tech; Jacqui Bauer, ESD; Shannon Hamons, Pizzuti; Craig Grossman, MKSK; Glen Morrow, Burgess & IPLE; Katie Birge, Bloomington Tech Partnership; Dana Palazzo, Bloomington EDC

John West chaired the meeting in David Walter’s absence.

II. READING OF THE MINUTES – None.

III. EXAMINATION OF CLAIMS – Michael Gentile moved to approve the claims for May 10, 2013 for \$486,696.02 and May 24, 2013 for \$499,644.28. Michael Szakaly seconded the motion. The claims were unanimously approved.

IV. REPORT OF OFFICERS AND COMMITTEES

A. Director’s Report. Abbott stated they received the funding estimates for CDBG and HOME which included a 12% cut in CDBG and an increase of 3% increase in HOME for this year. She explained both the Social Services and Physical Improvements CAC’s included a plan to allow for either an increase or decrease in funding. She explained the funding agreement has not yet been received so the figures could still change.

Abbott said the speaker for the TIF seminar on July 8th has been confirmed. Barbara McKinney and Susan Failey will also be presenting segments on conflict of interest. She stated this is a very important meeting as the information will be beneficial when they receive the final assessment of the TIF’s.

The CTP master plan edits are underway which may then require a special meeting in the next couple of weeks. The Commissioners then discussed the possibility of meeting dates in June.

Abbott reminded the Commissioners about the Redevelopment tour on June 13th. She also noted that the CAPER will be posted on July 30, 2013.

B. Budget Summary Report.

V. UNFINISHED BUSINESS

None.

VI. NEW BUSINESS

A. RESOLUTION 13-13: Approval to Purchase the Property at 619 N. Morton. Alano-Martin explained that the City is asking the RDC to authorize the City to offer to purchase property at 619 N. Morton. She informed them that funds are available in the CTP fund for the purchase of the property. The Phase I appraisal has been completed; the average of the two appraisals is \$227,500. By statute the RDC can’t offer more than the average, but the RDC can entertain counter offers and negotiate a purchase price.

Michael Szakaly moved to approve the Resolution. Michael Gentile seconded the motion. Resolution 13-13 was unanimously approved. **ADOPTED.**

B. RESOLUTION 13-14: Approval of the Contract between the City and CBRE and of Initial Contract Payment. Alano-Martin stated staff has discussed hiring a real estate consultant to assist the City in moving forward with implementation and transactions related to the CTP property. Staff has had discussions with CBRE and are confident with their ability to advise and guide them through the complicated processes. She said this request is for approval to use CTP funds for the contract with CBRE to provide real estate consulting services to the City. The proposal includes a \$27,500 contract fee which would cover CBRE's upfront costs. Ultimately the full amount would be refunded to the CTP's fund through success fees CBRE will recoup as a result of transactions, the sale of property and development deals from the RFQ processes. The RDC would be involved in all the processes which will require RDC approvals. CBRE would be able to project manage transactions and negotiate with developers and business tenants.

Alano-Martin stated they have prospects interested in working with the City in purchasing and redeveloping property. They also have a good lead on a new business which could create 300 jobs in the CTP.

CBRE will be doing some validation, testing and marketing analysis of the plan which will be done during the first 30 days of their contract. They will make sure the assumptions staff has put forward in the plan and the solutions they recommended are feasible. Because there are opportunities "knocking at the door," they would like to get CBRE started even though the plan has not yet been adopted.

Alano-Martin stated they feel the CBRE proposal is fair and they are being careful not to duplicate work that has already been done. Staff will work very closely with them.

Gentile asked what the plan was before CBRE came up with this proposal. Alano-Martin said they always intended to search for a consultant to help them through this process. He asked if they put out a request or if it was unsolicited. She said they asked CBRE specifically to provide the proposal. She said they know CBRE and their capabilities. They are a global firm with a lot of real estate expertise and they know Bloomington very well—staff has confidence in this firm. Gentile asked if this precludes anyone else providing a similar service. Alano-Martin said it would be exclusive. She explained that having one lead would eliminate having to manage multiple consultant contracts.

Gentile asked what the time frame is for possibly getting the prospective tenant mentioned by Alano-Martin into the tech park. Alano-Martin said the decision will probably be made in late June and at a board meeting in late July, but a decision on what they are going to recommend to their board will be made before then. The tenant could locate as early as June in a temporary space, but they are looking for a permanent space large enough to accommodate their growth plan. She said the 300 jobs is probably a three to four year effort.

Szakaly said the year and a half exclusive agreement is enough time for CBRE to get things moving which would provide some incentive to them if they want their contract renewed. He asked if other options were proposed besides an exclusive contract. Alano-Martin said having a representative for the City would benefit the City rather than having it piecemeal. Szakaly asked if the RDC requires a contract when putting something in the hands of a development entity. Alano-Martin said yes. She explained that CBRE can help with the RFQ process to obtain proposals and developers. The proposal then goes to the RDC for developer selection.

Gordon Hendry, the representative of CBRE, explained they are primarily located in the Midwest but work with cities, states and counties as their advisers on various real estate transactions. They are advising Indianapolis on relocating some facilities on Massachusetts Avenue to another location then redeveloping the 1.5 acre site. As the plan is adopted and you go forward with redeveloping the property, they want to maximize the value as well as achieving the vision of Bloomington.

West stated he hasn't read the contract and won't vote on something he hasn't read. He's concerned that the problem with bringing them on board is that obviously their motive is to sell property. He is concerned that they get a little ahead of themselves and start entering into discussions about commitments to third parties when this body hasn't seen the final plan or voted on it. If the early stages of this contract calls for CBRE to get involved and give them directions, so they have a better final product, it's good.

Hendry stated this is a very deliberate process so they will not be trying to pull together a development deal before a plan is issued and approved by the RDC. Their goal is to determine whether there is one or more RFP's or RFQ's and is part of their preliminary analysis. They would determine which property

should be first or whether to go with the whole thing. He said the RFP or RFQ process is very deliberate – it's a comprehensive document which gives guidance to development teams on how to judge proposals. They would make sure that it is a very clear process and that the proposals lay out the different phases in the CTP.

West asked how CBRE would deal with other people approaching staff and get in a little early because the prospective purchasers have deadlines that don't necessarily meet staff deadlines. Hendry said from what he's hearing it sounds like the staff wants to adopt the plan in fairly short order. He said that is good as it will help drive the RFP process. He said if a company is considering locating in the CTP, CBRE will be able to help staff think through potential issues. He does not envision CBRE proposing to sell to someone walking in off the street. They need to be deliberate and strategic and not tactical about the whole project. Hendry stated they think of themselves as a partner with the RDC and helping them make the right decisions as they proceed with this very important CTP project.

Alano-Martin stated both she and Failey can figure out how to sell a building, but CBRE will determine whether selling at a specific time is the right decision at that time and whether or not the City is getting the right value out of the property. She said that is the type of assistance staff is looking for.

Failey said the RDC is the owner of the CTP and has the final decision; the RFP or RFQ process is driven by the wishes of the Commission.

West asked Hendry if the contract on the table tonight is the same as when they made their first presentation. Gordon said it is not the same.

Kehoe suggested there might be terminology in the documents that are unfamiliar to the Commissioners. Failey stated they could define any terms the Commissioners were unfamiliar with.

West said he feels pressure to catch up on some lost time, but not to the extent of letting it get in the way of doing this right.

Smith asked if this agreement can be amended. Failey said the Commissioners could vote on the idea of engaging CBRE and leaving the precise contract terms to be approved later or, as some boards do, delegate the approval to the administration.

Failey said they could walk through the contract. Szakaly asked if they got through reviewing the contract, could they still vote on it. Abbott said that doesn't mean it would be a yes vote. West said if he wasn't going to vote yes, he would ask for a delay. Gentile said he would be willing to delay and hold another special meeting. There was discussion about postponing until Walter got back and another meeting could be arranged.

Abbott reminded the Commissioners if all of them are not able to attend a rescheduled meeting, business will still be done. They have been working on this for a long time and this issue has previously come to the RDC. She thinks Walter will be fine with whatever decision they make tonight.

West asked Failey and Hendry to walk them through the agreement. Szakaly stated the term of the contract is basically boiler plate, but they lay out the scope in the proposal.

Failey and Hendry reviewed and explained the scope of the proposal. He explained the various parts of the proposal – including the properties included in the scope of work, the City has a master plan which they will not duplicate, Phases 1-4 will be a review of all the existing documentation and data including the plan and comprehensive analysis that confirm the findings and make any recommendations they think are relevant. This will take approximately 30 days; no offers will be made during this time. West asked how this affects the business that is already considering moving to the CTP. Hendry said that may be a special case and depends on some of the particulars of the deal. West said he thinks the first 30 days is where he they need assistance. He wants CBRE to focus on what the City wants and needs.

Abbott clarified with Hendry that the 30 day period starts when the consultants have the plan. Hendry said that was correct.

Hendry explained Phase 1-4 is analysis of the site and issues that might impact future development. In Phase 2 they want to understand the vision and planning; what the City is planning and wants to see there. Phase 3 is market analysis which he thinks will help them decide what they want to go forward with and whether they want to lease an existing facility or if they want to do a more significant development. They will analyze the market to give the City a very detailed background and recommendations.

West said they have a lot of money invested in consultants who are doing everything Hendry has just noted, particularly Phase 3. He doesn't want them repeat what the consultants have already done. West asked if it would be feasible, after they look at the consultant's recommendations, that they just advise the City as to their thoughts on the original recommendations -- they don't want to reinvent the "wheel." Hendry stated since they haven't seen the plan, they are flying blind and want to take a very close look at what has been done to date and determine if there needs to be more analysis. They do not want to recreate what has been done nor do they want to waste anyone's time.

Alano-Martin said they have discussed not duplicating the plan with Hendry and it is noted in the first page of the contract exactly what staff expects to see happen in order not to duplicate the master plan. She said both the city and CBRE will work together to determine where an effort should be directed. They will endeavor to test and validate the plan. They are all in agreement to that effort.

Hendry then explained that Phase 4 is the business case for the redevelopment. They will be modeling what potential development might look like and determine the best structure for the City. They will look at density, high end apartment units, the amount of retail square footage, the parking needs and the anticipated tax revenues generated for the Downtown TIF. He stated their goal is to nail it for the City and give them that level of confidence that as they go forward.

West asked if they will be fully familiar with the bonding and strategy for the CTP. Hendry said if that is going to impact the development and if they are looking to drive revenue to pay down the City's debt, which will then be an important element.

Hendry stated Phases 5 and 6 are the engagements with the development community. CBRE anticipates preparing a very detailed RFP or RFQ depending on what the City wants to do. They will assist staff on how to engage the development community so they will receive quality proposals from credible development teams. They will help them craft the RFP's or RFQ's because what goes into those will drive the responses. They want to make sure the City gets the best from the development teams. Once they are able to review and analyze the responses, CBRE can help staff work through those issues to get them where the City wants to be. Hendry said once it comes to transactions, CBRE will work with the legal department to work through the necessary documents.

Hendry said Phase 7 is additional services that the City may or may not want to utilize such as construction or project management. They can serve as the representative in any development including design, green and sustainability consulting.

Hendry explained in terms of their fee, they have proposed covering their costs in the first 30 to 60 days. They anticipate some transactions will come out of this and whether it's a straight brokerage or if they decide to dispose of a certain building, it would be whatever anyone else would earn as it relates to a development; they would charge a success fee. They are motivated to make sure that the City has a successful development and to maximize the value to the City and drive the overall success of the project.

West said there may be a few instances where there is a co-operating broker who represents a tenant or buyer. He asked what the fee will be as a listing broker. Hendry stated it is covered in the contract -- it will be whatever the market is. That issue is covered in the proposal and states if they decide to engage them to acquire or sell any property, they would be paid a market commission from the proceeds of the sale.

Szakaly asked if it gets to the point of entertaining an RFP or RFQ for a complete development, what happens financially if they consider it for Phase 1 which is one quarter of the development. Would it be 3.5% of the whole thing? Hendry said it will depend on what the phases look like. If they are talking about something that is year one, then year four then that would be more a guidance to a future development rather than a transaction that is being done today.

Szakaly asked for a ballpark total figure for 3.5% of the fully developed park. Alano-Martin said the plan will give them an idea of that figure. Szakaly said it could possibly be 3.5% of \$50,000,000. Hendry said when there is a success fee paid, that will be a very good day for everyone. Failey stated the contract says if a success fee is paid to CBRE they will repay the City for the initial expenditure of \$22,750. Alano-Martin agreed, a success would mean they have a development towards the vision they have worked on for several years and have employment and revenue. Szakaly said it means it has moved to the RFP or RFQ process. Failey said anything that comes through that process is included in the success fee. Szakaly said it doesn't mean we have those things though. Hendry said it would be when a development agreement is signed. Failey said the overall project value is defined as the total economic value of the project. West asked if it was payable when signed or closed. Hendry said it is typically when signed and paid by the developer.

West said when they were looking at what the market would bear in commissions, take that theory and go back to the 3.5% and that's probably not the market for the kind of numbers they are talking about. When you have an RFQ and an RFP and you're looking at the buyer as an added expense to the development fees there is going to be some push back because they are already high. West asked if that was negotiable or would it get in the way of a deal. Hendry said they've never failed to do a deal because of their fee; he doesn't think it's an issue.

Szakaly stated he thinks it's priced fairly and that CBRE brings value to the project. It's the exclusive contract that leads to the 3.5% which is the part that would give him pause, given that they are talking about the likelihood that of an amount greater than \$1,000,000 in fees. The idea that they would not shop for a consultant concerns him.

Abbott said it appears that CBRE has access to companies and information that staff doesn't generally have. She said until they get redevelopment and deals in this property the City is not getting the TIF revenue they can then use to do other important work in the area.

West said he contacted others who are familiar with CBRE and he is ok with them. He said if he were in their shoes, he wouldn't do this without an exclusive contract. He said he thinks the total is a little high. Szakaly said it's high if the 3.5% is on the total acreage, but not on a much smaller figure and it's completely competitive. West said he's not so sure they are going to get someone to take on the entire 12 acres.

Alano-Martin said phasing is something different than multiple transactions and said Hendry has certainly talked about small transactions within the CTP. They have discussed with Hendry about having one developer and then phasing and the potential for this to happen in small pieces. Szakaly said small pieces with multiple developers might be the preferred way that comes out of the study. Hendry said if it takes longer and the City is happy with their services and decides to keep them on – they then view this as a partnership and it's the RDC making the decisions.

West asked if there was anything in the contract that Legal questioned. Failey stated they had initially questioned a few things and made some changes to the contract. She said Legal is satisfied with the contract.

West said he is surprised that since staff hasn't seen the final plan that they would be prepared to move forward not knowing entirely what they have to work with. Hendry said it is part of the business and at the end of the day they want to develop a "bullet proof" business case for the City. If there is any public scrutiny, they want to make sure the City has everything they need and that there are no surprises.

Gentile said he has listened to the dialog and he's satisfied with what he has heard.

West asked if the initial fee is paid on execution of the contract. Failey said it is paid at the end of Phase 4.

Michael Gentile moved to approve the Resolution. Elizabeth Kehoe seconded the motion. Resolution 13-14 was approved by a vote of three in favor and one opposed. **ADOPTED.**

VII. BUSINESS/GENERAL DISCUSSION

A. Annual TIF Report. Abbott explained that they are still working on an assessment of all the TIF's. They are meeting with the County Auditor to discuss the parcels that were left off their list. She said at a typical July meeting the RDC finds that they do or do not have excess assessed value to distribute to other taxing entities. She is asking that based on the outline of her memo, they find there are no excess funds until they have completed the full assessment of all the tax districts.

Abbott gave the Commissioners a packet of information on the TIF's. She read the following information for each TIF district: the cash balance as of 5/29/13 (none of the 2013 income is included in the balances), any debt service and any open resolutions.

West asked what they were doing at the 3rd and Basswood which has mentioned in the TIF report. Wykoff said it covers part of the Basswood design and also finishing up W. 3rd. Wykoff said they will probably not spend the entire balance of the project.

West asked when they decide there is too much surplus and they should be spending it. Abbott said it's when you have more money than it will take for you to complete your plan. There was discussion

regarding how long TIF projects should remain open. Abbott said she thinks it might be a good idea to put deadlines in the resolutions.

Abbott is asking that they find there is no excess valuation they can assess to other taxing entities. She said once the motion is made and approved, notification letters will then be sent to the other taxing entities.

Michael Szakaly moved that they find that there are no surplus TIF dollars available. Elizabeth Kehoe seconded the motion. The motion was unanimously approved.

B. Tech Park Update.

C. Tapp Road Update. Wykoff informed the RDC that the Tapp Road project will be wrapped up in the next 30 days. He explained there were issues in the beginning regarding permits which caused a delay of about three months followed by some other delays. Some of the improvements included a better bridge and concrete road sections which can be changed from two to four lanes without changing all the inlets. Wykoff informed the RDC they will ask for more funding in July or August.

VIII. ADJOURNMENT

It was moved and seconded to adjourn the meeting.

David Walter, President

Michael Gentile, Secretary

Date